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Attorneys for Debtors and Debtors-in-Possession

**UNITED STATES BANKRUPTCY COURT  
 DISTRICT OF NEVADA**

In re:  
 USA COMMERCIAL MORTGAGE COMPANY,  
 Debtor.

In re:  
 USA CAPITAL REALTY ADVISORS, LLC,  
 Debtor.

In re:  
 USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC,  
 Debtor.

In re:  
 USA CAPITAL FIRST TRUST DEED FUND, LLC,  
 Debtor.

In re:  
 USA SECURITIES, LLC,  
 Debtor.

Affects:

- ☐ All Debtors
- ☒ USA Commercial Mortgage Company
- ☐ USA Securities, LLC
- ☐ USA Capital Realty Advisors, LLC
- ☒ USA Capital Diversified Trust Deed Fund, LLC
- ☒ USA First Trust Deed Fund, LLC

Case No. BK-S-06-10725 LBR  
 Case No. BK-S-06-10726 LBR  
 Case No. BK-S-06-10727 LBR  
 Case No. BK-S-06-10728 LBR  
 Case No. BK-S-06-10729 LBR

Chapter 11

Jointly Administered Under  
 Case No. BK-S-06-10725 LBR

Date: August 4, 2006  
 Time: 10:00 a.m.

**SUPPLEMENT TO DEBTORS' MOTION  
 TO DISTRIBUTE FUNDS**

**(AFFECTS USA COMMERCIAL  
 MORTGAGE, USA CAPITAL  
 DIVERSIFIED TRUST DEED FUND, AND  
 USA CAPITAL FIRST TRUST DEED  
 FUND)**

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1 USA Commercial Mortgage Company (“USA”), USA Capital Diversified Trust Deed  
 2 Fund, LLC (“Diversified Fund”), and USA Capital First Trust Deed Fund, LLC (“FTD Fund”)  
 3 (collectively, the “Debtors”) respectfully submit this Supplement to the Debtors’ Motion to  
 4 Distribute Funds, which was filed July 7, 2006 (docket # 847) (the “Motion to Distribute”).

5 As contemplated in paragraph 8 of the Motion to Distribute, USA recently prepared and  
 6 mailed out statements to Direct Lenders indicating their positions as of the Petition Date with  
 7 respect to each of the Serviced Loans in which each Direct Lender invested. After accomplishing  
 8 that task, USA has continued to update the loan records and post the post-petition servicing and  
 9 collection activities through June 30, 2006. USA currently projects that it will have Direct Lender  
 10 Statements as of June 30, 2006 ready to mail out to the Direct Lenders on or about July 19, 2006.

11 The aggregate amount proposed to be distributed from the Collection Account to Direct  
 12 Lenders in the first post-petition distribution to be made pursuant to the Motion to Distribute, as  
 13 explained on pages 5-6 (and elsewhere) in the Motion to Distribute, is the sum of the amounts  
 14 proposed to be distributed to each Direct Lender by account number (legal vesting name), which  
 15 in turn is the net of the amounts shown on Line 12 of the Direct Lender Statement(s) as of June 30,  
 16 2006, for each Direct Lender by account number. (Note, however, that only net positive amounts  
 17 per Direct Lender are added together in arriving at the proposed aggregate distribution; net  
 18 negative amounts, if any, are not reflected in the aggregate distribution figure). Based on the loan  
 19 reconciliations performed through June 30, 2006, and consistent with the Direct Lender  
 20 Statements through June 30, 2006 that will be mailed out shortly to Direct Lenders, the aggregate  
 21 amount of the initial distribution proposed in the Motion to Distribute is approximately \$64.7  
 22 million.<sup>1</sup> This proposed distribution does not take into account any potential netting among  
 23 accounts of Direct Lenders under different vesting names.

24 The Court should note that this proposed distribution from the Collection Account to  
 25 \_\_\_\_\_

26 1. This number, the amount to be distributed to the Direct Lenders, and the amount to be  
 27 distributed to the FTD Fund are approximate because USA expects there to be some questions  
 28 raised and adjustments made to the individual loan reconciliations as of June 30, 2006. Therefore,  
 the numbers will change before checks are issued.

1 Direct Lenders will include a distribution of approximately \$1.8 million to the FTD Fund.<sup>2</sup> This  
 2 amount, less appropriate reserves for potential claims and administrative expenses, is proposed to  
 3 be distributed to the members of the FTD Fund. Because the net amount from Line 12 of the  
 4 various Direct Lender Statements for the Diversified Fund is negative, there will be no similar  
 5 distribution to the Diversified Fund at this time, and there will be no distribution the members of  
 6 the Diversified Fund on account of their membership interests at this time.

7 For purposes of the initial distribution proposed by the Motion to Distribute, a Diversified  
 8 Fund Members' membership (equity) interest in the Diversified Fund and the negative balance of  
 9 the Diversified Fund will not affect their individual distribution as a Direct Lender. Likewise, the  
 10 initial distribution to a FTD Fund member will not be reduced by any net negative balance  
 11 reflected on the Direct Lender Statements by such member as a Direct Lender.

12  
 13 Respectfully submitted this 17th day of July, 2006.

14  
 15 /s/ Lenard E. Schwartz

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